

**MINUTES OF REGULAR MEETING
ILLINOIS GAMING BOARD
APRIL 23, 1996
CHICAGO, ILLINOIS**

A Regular Meeting of the Illinois Gaming Board ("Board") was held on April 23, 1996 in the auditorium on the 5th floor of the State of Illinois Building, Chicago, Illinois, pursuant to the Illinois Open Meetings Act, 5 ILCS 120/1 et seq.

The following Board Members were present: J. Thomas Johnson, Chairman; and Members William B. Browder, Byron G. Cudmore, Gayl S. Pyatt and Robert F. Vickrey.

Also in attendance were: Administrator Michael A. Belletire, Deputy Administrators Joseph C. Haughey, Thomas Swoik and Kevin Lockhart, Chief Legal Counsel Mareile' Cusack, other members of the staff, the media, the general public and interested parties.

The meeting was called to order at 9:30 a.m. Member Cudmore moved that the Board retire to Closed Session pursuant to Section 2(c), paragraphs (1), (4), (11), (14) and (21) of the Open Meetings Act, to discuss the following subject matters:

1. Issues Concerning Applicants and Licensees
2. Recommendations of Administrative Law Judges
3. Pending and Probable Litigation Matters
4. Investigatory Matters
5. Personnel Matters
6. Closed Session Minutes

Member Browder seconded the motion which was adopted by unanimous consent.

The Board reconvened in Open Session at 12:18 p.m.

Member Cudmore moved that the Board approve the minutes from the open and closed sessions of the March 26, 1996 regular meeting. Member Vickrey seconded the motion. The motion was approved unanimously by voice vote.

The next order of business was the Administrator's Report.

The Administrator reported that by a five to two vote the Blue Chip project was awarded preliminary suitability to operate a riverboat gaming operation in Michigan City, Indiana. Blue Chip is 80% owned by HP, Inc. - Indiana, an affiliate of Illinois licensee HP, Inc. He noted that this is the third entity doing business in Illinois awarded preliminary suitability in Indiana.

The Administrator stated that Kevin Larson who served as President of the Empress River Casino has resigned and Mr. William Sabo and Mr. Dennis Brown are in charge of that operation at this time.

The Administrator reported federal criminal indictments against an expert at "bilking" slot machines. The arrest was the result of a cooperative effort amongst the IGB, the Alton Police Department, Alton Belle staff and Federal officials. He commended Lt. Roger Shiels on his hard work in seeing that this person was captured and indicted on several charges.

Administrator Belletire reported that Adjusted Gross Receipts ("AGR") for March 1996 totaled \$111.3 million -- an increase from the previous monthly record of \$107.7 million established in July 1995. The first three months of CY1996, AGR totaled \$307.5 million -- an 11 percent increase over the same quarter of 1995.

All nine operating licensees (excepting Silver Eagle) showed increases over February 1996 AGR and, except for Casino Rock Island, March 1996 performance exceeded March 1995 performance. Each of the four Chicago Area licensees set all-time high monthly AGR records. Elgin's total of \$20.7 million reflected the first time any licensee exceeded \$20 million in AGR. He further reported that this was the second highest monthly admission total on record and higher than average Win per Patron.

The Administrator referenced various monthly reports. He reported that in April, Harrah's Northern Star was confronted with a navigational incident. The vessel was unable to return to its docksite to complete a cruise due to a mechanical failure of a bridge over the Des Plaines River. Mr. Belletire stated that according to reports received, the incident -- which was in no way the responsibility of Harrah's -- was handled exceptionally well by Harrah's personnel. After consultation with IGB staff, the Northern Star proceeded to an alternate landing site where all passengers disembarked without incident. Temporary measures by the bridge crew allowed the Northern Star to return to its regular docksite approximately two hours late.

The Administrator stated that this incident underscores the potential problems -- out of the control of captains -- of frequent travel along inland waterways. He stated that the Board may wish to consider taking a position with the legislature as to the potential for long term concern over the existing cruising/ no gambling requirements for Illinois riverboats.

The Administrator reported that annual financial reports for nine of the ten licensees have been received. The tenth report -- Player's -- is not due until June as the company operates on a 3/31 year end basis. He reported that a complete analysis of ratios and financial performance is being undertaken by staff and will be available shortly to the Board. The report will also examine differences among licensees in cost structure items.

Chairman Johnson referenced an article in the Crain's Chicago Business that discussed ATM transactions. Mr. Johnson asked for a report on how the ATM systems are currently being used for both credit and cash advances and the fee structure being utilized. (Specifically, are they used to extract resources out of bank accounts or are they used for obtaining credit against a credit line that is issued by the casino operation or by an unrelated credit card company?)

The next order of business was Items Concerning Owner Licensees.

Frank Pedulla, representing Casino Rock Island, requested a one year renewal of their owner's license for action at the May Board meeting. Mr. Pedulla reported that on May 1 the City of Rock Island is having Rock Island Day in Springfield -- a rally to communicate with key legislative groups on areas of concern to CRI and the Rock Island community. Mr. Pedulla reported that the CRI, after the first quarter, is within \$30,000 of projected costs for 1996. Chairman Johnson asked Mr. Pedulla which issues the CRI will be addressing with the legislature. Mr. Pedulla responded that they support the graduated tax structure and docksite gaming.

Andy Duggan and Al Sikirdji, representing Harrah's Joliet, requested approval of the new game *Royal Match 21*.

Member Vickrey moved that the Board approve Des Plaines Development Corporation's request for approval of *Royal Match 21* as an authorized game to be offered at Illinois riverboat gaming operations. Member Pyatt seconded the motion. The motion was approved unanimously by voice vote.

Michael Hansen, representing Empress Casino - Joliet, requested clarification of the Board's previous approval in February of the Empress guaranty of the \$50 million promissory note executed by Empress Casino - Hammond.

Member Browder moved that the Board clarify that the motion, adopted by the Board at the February 1996 meeting, approve the guarantee of indebtedness of up to \$50 million in principal plus accrued interest and other obligations under the guarantee provided by Empress Casino-Joliet, Corporation for its affiliate Empress Casino - Hammond, Corporation. Member Pyatt seconded the motion. The motion was approved by four Board Members. Chairman Johnson voted present.

The next order of business concerned Supplier Licensees.

Andy Duggan, representing Harrah's Illinois Corporation, requested renewal of their supplier's license.

Member Pyatt moved that the Board approve Harrah's Illinois Corporation's application for renewal of its supplier's license. In renewing this license the Board requests that Harrah's Illinois Corporation do the following:

1. Re-negotiate its agreement with the Des Plaines Development Partnership to specify more clearly the services being provided and the fair market value of those services.
2. Terminate the practice of assessing fees solely on a percentage of gaming revenues and work with staff to establish a more acceptable fee mechanism.
3. Continue to work with staff to clarify the cost allocation methodology and basis for charges assessed against the Illinois licensee.

Member Browder seconded the motion. The motion was approved unanimously by voice vote.

Member Cudmore moved that the Board approve George C. Matteson Company, Inc.'s application for renewal of its supplier's license. Member Vickrey seconded the motion. The motion was approved unanimously by voice vote.

Member Vickrey moved that the Board approve Satoshi Sakamoto as a Key Person of Universal Distributing of Nevada, Inc. Member Browder seconded the motion. The motion was approved unanimously by voice vote.

Member Cudmore moved that Paul-Son Gaming's license be expanded so that they are authorized to sell roulette and big six wheels to licensed Illinois riverboat casinos. Member Vickrey seconded the motion. The motion was approved unanimously by voice vote.

Michael Ficaro, representing International Game Technology ("IGT"), introduced IGT's presentation on Wide Area Progressive Systems. IGT asked to make a presentation at this time due to crowded agendas over the next several months.

Mr. Ficaro read a letter of support of Wide Area Progressive Systems from five of the ten Illinois licensees (Alton Belle Casino, Casino Rock Island, Par-A-Dice Gaming Corporation, Silver Eagle Casino and Southern Illinois Casino Cruises). Mr. Ficaro introduced several IGT personnel and his law partner John Cafferty.

Brian McKay, Vice President and General Counsel of IGT, gave an overview of IGT. He stated that IGT is a publicly traded corporation on the New York Stock Exchange and the world's largest manufacturer of electronic gaming devices. He then introduced a video presentation that gave an overview of the Wide Area Progressive System. The video explained the way information flows, the security and integrity of the system, accounting analysis, audits, reconciliation and the treatment of funds for payment of progressive prizes. It further detailed the way in which a Wide Area Progressive System would work with Illinois riverboats.

Member Vickrey asked several technical questions about radio frequencies, vessel to land connections, power sources, training for service and repair personnel

and response time for IGT repair personnel. Ward Chilton, of IGT responded to these questions.

Member Cudmore asked how the jackpot trust is set up in New Jersey as compared to what is proposed in Illinois. Mike Ficaro responded that it is designed similarly. The distinction is that, in Illinois, the trust will be obliged to hire IGT as its trust Administrator.

Member Browder asked if the entire responsibility of payment would be on the licensees involved. Mr. Ficaro responded affirmatively.

Member Pyatt asked why IGT proposed a trust. Mr. Ficaro responded that they set up a trust to address the legal issue of regulatory control. IGT feels the trust guarantees regulatory control. Mr. Ficaro stated that IGT will provide the equipment, the accounting, the technical service and the radio signal -- the owner licensees will operate the trust. IGT will service the licensees as a supplier.

Member Browder asked how many machines will be designated progressive machines. Mr. Ficaro responded by stating that an estimated 2-5 percent would be utilized. Mr. Browder asked if patrons frequent progressive machines more often than non-progressive machines. Mr. Chilton responded that in general these machines are more popular than the average slot machine.

Member Vickrey asked if a certain percentage of dollars that go into these machines are dedicated to the jackpot. Mr. Ficaro responded affirmatively. Member Vickrey further asked how these machines compared in terms of payout percentage to other machines on the floor. Mr. Chilton responded that they try to set the overall pay-back percentage to the slot player for Wide Area Progressive System similar to other non-progressive machines. Member Vickrey asked if employees would be on site for technical support of the System. Mr. Chilton responded that IGT employees would be on call 24 hours a day with a response time of two hours or less. He further stated that IGT incurs the initial set up cost and all on-going costs of the progressive system.

Chairman Johnson stated that he felt the Illinois-IGT Agreement gave IGT duties, responsibilities, and control akin to that of a gaming operator. He referenced several sections from the Agreement such as those concerning advertising and loaning money to the trust. Mr. Johnson stated that this makes IGT sound like a gaming operator not a supplier -- referencing that the capital comes from a loan from IGT. Mr. Ficaro responded that the purpose of the loan was to deal with the potential of a jackpot happening on the first pull. The loan creates a guarantee for the Board and patrons that there will be a jackpot they would be entitled to. He further stated that IGT supplies the advertising because it is IGT's system.

Lastly, Chairman Johnson asked how the gaming regulatory body oversees the Central Computer location. Mr. Chilton responded that there is an off-site location with this equipment that is manned by IGT around the clock. He stated that the facility is

subject to inspection at any time by regulators. He further reported that IGT maintains on-going contact with the regulatory agency and they (IGT) independently audit the progressive system on a daily basis. When jackpots are hit, information is sent to the regulatory body showing how the investments were purchased to pay for future payments to the winner.

Member Pyatt asked if the jackpot winners are beneficiaries of the trust. Mr. Ficaro stated that the beneficiaries are the guarantors and the trustees, not the jackpot winners.

The next order of business concerned Occupational Licensees.

Member Cudmore moved that the Board adopt the staff recommendations and approve 106 applications for an Occupational License, Level 2, and 267 applications for an Occupational License, Level 3, and deny 8 applications for an Occupational License, Level 3. Member Vickrey seconded the motion. The motion was approved unanimously by voice vote.

The next order of business concerned Administrative Hearings/ALJ Reports.

Member Pyatt moved that the Board, having reviewed the administrative record, adopt the Findings of Fact and Conclusions of Law as stated in the recommendation of the Administrative Law Judge and revoke Darryl Alexander's Occupational License, Level 3. Member Browder seconded the motion. The motion was approved unanimously by voice vote.

Member Pyatt moved that the Board grant the motion for reconsideration and issue an occupational license to Patricia Pucilowski. Member Browder seconded the motion. The motion was approved unanimously by voice vote.

The next order of business concerned Board Policy/Discussion Items.

Mareile Cusack recommended that the Board approve the emergency submission of proposed rules regarding supplier licenses. The filing with the Secretary of State will address shortcomings in the current rules. Ms. Cusack stated that they are identical to the rules initially submitted to the Board in January, 1996, with the exception of a typographical error.

Member Pyatt moved that the Board approve the emergency submission with the Secretary of State of Proposed Rules 3000.240, 3000.241, 3000.242 and 3000.243. Member Browder seconded the motion. The motion was approved unanimously by voice vote.

Chairman Johnson stated that the May 21 Board meeting would be held in Aurora in order to enable the Board the opportunity to view the Hollywood Casino-Aurora facilities.

There being no further business to come before the Board, Member Browder moved that the Board stand adjourned. Member Cudmore seconded the motion. The motion was approved unanimously by voice vote and the Board adjourned at 2:00 p.m.

Respectfully Submitted,

Susan A. Offord
Secretary of the Board